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THE WEATHER — PARIS: Monday, overcast. Temp. 6-10 (43-50). LONDON: Monday, overcast, possible rain. Temp. 44 (32-44). COPENHAGEN: Monday, overcast, possible rain. Temp. 44 (32-44). FRANKFURT: Monday, overcast, possible rain. Temp. 43 (32-43). NEW YORK: Monday, cloudy with showers. Temp. 47 (34-48). ADDITIONAL WEATHER DATA — PAGE 12

No. 30,783

Poles Being Pushed Toward Revenge, Archbishop Says

United Press International
II on the situation in their homeland.

"In the beginning, the demarcation line was clear between 'them' who persecute us and 'we' who were persecuted," Archbishop Glemp said in a reference to state suppression of the church.

This bordering is becoming less distinct because what happens between men now creates suspicion and men are locking themselves in mistrust and judging each other without hesitation."

Several of the 400 Poles who crowded into the tiny church wept openly during the Mass.

A Polish priest assisting the Mass wiped his eyes as Archbishop Glemp spoke and Cardinal Franciszek Macharski of Krakow sat with his eyes closed and his head in his hands. Later, Cardinal Macharski also cried.

Leaving open the door to negotiations with the government, Archbishop Glemp said: "We have faith that with the help of God we can explain the causes of our anger to each other in a dialogue and not by force."

Archbishop Glemp, Cardinal

Solidarity Talks Hinted
WARSAW (UPI) — Polish authorities have given private indications that they are ready to begin serious talks soon with representatives of Solidarity on a set of basic (Continued on Page 2, Col. 6)

PARIS, MONDAY, FEBRUARY 8, 1982

Established 1887

Reagan Issues \$757-Billion Budget, Urges Congress to 'Stay the Course'**Legislators See Trouble For His Plan**By Martin Tolchin
New York Times Service

WASHINGTON — Congressional Democrats have assailed President Reagan's proposed budget as unfair and unworkable, while Republicans expressed "shock" at the size of the deficit and predicted the president would have trouble selling the budget package to Republicans as well as Democrats.

There was bipartisan agreement Saturday that the proposed increase in military spending should be scaled back in an effort to reduce the deficit and subject the Pentagon to the same scrutiny received by the social programs. But some in Congress said it would be difficult, if not impossible, to make cuts in military spending that would substantially reduce the projected fiscal 1983 deficit of \$91.5 billion.

There was a bipartisan expectation that Mr. Reagan's selling job would be exacerbated by the fact he no longer has the goal of a balanced budget to use as an incentive for the budget cuts. Congressmen predicted greater difficulties making additional cuts in programs hit hard last year and noted that the extraordinary Republican congressional unity, a key to the president's success last year, was showing signs of strain.

Some congressmen speculated that Congress would ignore the Budget Act and fail to adopt a budget this spring, rather than approve one with a high deficit. They predicted that, as in the 1980 election year, Congress would return after Election Day for a special session that would include adoption of the budget.

State of Shock
Sen. Ted Stevens of Alaska, the assistant majority leader, described himself as "sort of in a state of shock" upon learning "the deficit could be as high as it's projected." He said deficit "was based on the assumption that the president will receive the approval of

Funds for the European front and for strategic nuclear forces will rise, but the sharpest increases will go to equipment supplies, military construction and airlift and sealift capability for the Rapid Deployment Force. The philosophy behind this, according to senior Pentagon officials, is that the United States must not simply be able

to respond to an attack by the Soviet Union wherever it occurs, but also be able to strike back at areas of Soviet weakness.

Specifically, Defense Department officials said that if Soviet forces were to invade the Gulf region, the United States should have the capability to hit back



United Press International
Administration officials brief the press on President Reagan's fiscal 1983 budget. From left, Murray L. Weidenbaum, the chairman of the Council of Economic Advisers, Treasury Secretary Donald T. Regan and David A. Stockman, the director of the Office of Management and Budget.

Reagan Budget Highlights*New York Times Service*

SPENDING: \$757.6 billion, up 4.5 percent; cuts in benefit programs, including welfare, food stamps, health care and housing.

RECEIPTS: \$666.1 billion, up 6.3 percent from fiscal 1982 estimate; includes \$2.3 billion from changes in minimum corporate income tax, \$3.3 billion from disallowance of accounting method used by contractors, \$2.5 billion from user fees.

DEFICIT: \$91.5 billion, 7.2 percent smaller than record estimated for 1982.

MILITARY: \$216 billion, up 18 percent, including early deployment of Cruise missiles.

ASSUMPTIONS: Growth of 5.2 percent in economy in calendar 1983 after adjusting for 6-percent inflation; unemployment averaging 7.9 percent; three-month Treasury bills averaging 10.5 percent.

Republicans Are Dismayed Over DeficitBy Edward Cowan
New York Times Service

WASHINGTON — President Reagan, facing skepticism in both parties, has released a budget message urging Congress to "stay the course" by shrinking the social responsibilities of the government while expanding the nation's military strength.

As outlined in the budget for fiscal 1983, released Saturday, the president's fiscal and economic strategy contemplates continued monetary restraint, a rapid reduction of inflation and a slow decline in unemployment.

The budget projects a 4.5-percent rise in total spending to \$757.6 billion and a deficit of \$91.5 billion.

Shock Over Deficit

Conservative Democrats criticized the budget as unfair and unworkable, and many Republicans expressed shock at the size of the projected deficit.

Insisting that no changes be made in the three-year tax cut enacted last year, Mr. Reagan projected several years of large budget deficits, which he ascribed to past policies.

The budget calls for rapid growth in military spending and cuts in benefits for individuals and in other nonmilitary programs.

[The proposed U.S. budget proves that President Reagan is motivated by concern not for the ordinary American but for the military-industrial complex, Novosti, a Soviet press agency, said Saturday, United Press International reported from Moscow. In a commentary, Novosti said the United States has embarked on a "new round of the arms race," using the "Soviet threat to intimidate the American people into accepting as justifiable the unprecedented increase in military spending."]

Since the budget was enacted last summer, the mood in Congress has grown more cautious. In a second round of retrenchment last au-

(Continued on Page 3, Col. 1)

A Budget of Defiance: Reagan Allies Admit Risks Are HighBy Steven R. Weisman
New York Times Service

WASHINGTON — A year ago, President Reagan said in a television address that the nation's trillion-dollar debt was of a magnitude "literally beyond our comprehension." Yet the budget he released would lead to more than \$270 billion in new debt in the next three years alone, and more than \$500 billion if he fails to get his spending cuts or tax revisions through Congress.

The fact that Mr. Reagan could contemplate a possible 50-percent increase in the national debt in a mere three years shows how much his economic thinking has been transformed by events of the last 12 months.

More than anything else, the new, defiant budget message from the president was a call to ignore the customary fears about big deficits, at least some of which helped bring him into office, and to proceed undeterred with deep cuts in taxes and spending.

As he said Saturday when he released the budget, "Our task is to persevere, to stay the course; to shun retreat; to weather the temporary dislocations and pressures that must inevitably accompany the restoration of national economic, fiscal and military health."

In so persevering, the economic and political risks are enormous.

Economically, Mr. Reagan is defying the fears of many experts, particularly those associated with Wall Street Republicans.

President Reagan has said that if there was no improvement in the

that high deficits raise inflationary expectations and interest rates, which in turn choke off hopes for economic recovery.

Politically, according to his aides, the president is simply betting that the voters will not mind big deficits if the economy improves.

Indeed, aides to Mr. Reagan have repeatedly said that the prospect of deficits is what will stiffen the will of a reluctant Congress

to respond to an attack by the Soviet Union wherever it occurs, but also be able to strike back at areas of Soviet weakness.

To support this strategy, the administration wants to spend \$216 billion in the fiscal year 1983, which starts Oct. 1, up from \$183 billion this year. The administration

(Continued on Page 3, Col. 7)

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to cut popular spending programs, even in an election year.

Whether the deficit will have that effect on Congress is debatable.

Since autumn, for example, Mr. Reagan's own Republican allies have been warning him publicly and privately that they could not produce the votes for significant new cuts if he fails to get his spending cuts or tax revisions through Congress.

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interest rates, as well, were seen as the product of inflationary expectations going back over many years.

Nowhere was it mentioned that Mr. Reagan's tax cut, worth \$836 billion in the next five years, had been even a factor in the deficit picture, as many economists insist.

Disquiet in Reagan Camp

In his refusal in retreat on tax reductions or the other main issue — military spending or for himself with his own Republican allies.

There are signs of disquiet within the Reagan camp, the most recent one being an unusual all-day session at Camp David attended by the president's top aides and political consultants. The most pressing topic, according to participants, was everybody's fears that Mr. Reagan would all too soon be blamed for the poor state of the economy.

Mr. Reagan's task now is not simply in persevere, in the view of his aides. It is to persuade the financial markets that he has a credible program to reduce deficits and that the tax cuts passed last year will increase the amount of savings and investment in the nation by so much that the deficits will not matter. If he fails, he risks another collapse of the bond market, with the consequence of high interest rates and diminished economic growth.

(Continued on Page 3, Col. 3)

INSIDE**Canadian Friction**

Relations between Prime Minister Pierre Elliott Trudeau and the premiers of Canada's 10 provinces have reached a new low point after the collapse, amid bitter recriminations, of their economic conference. Page 3.

Israeli Charges

Israel's Cabinet declared the UN General Assembly resolution recommending sanctions against Israel for its annexation of the Golan Heights "null and void" and charged that the world body had become a "tool wielded by hostile states to spread their fanaticism and hypocrisy." Page 4.

Iran Oil-Price Cut

Iran has cut its oil price by \$1 a barrel in below the level set by OPEC in December, an authoritative industry newsletter reported. Britain is reported ready to cut its North Sea prices Monday. Page 7.

Social Programs Are Facing Substantial CutsBy Robert Pear
New York Times Service

Mr. Reagan refers to the programs as a form of "automatic spending" because the eligibility and cost-of-living adjustment provisions have been written into law by Congress. An effort to control their growth has been depicted as central to the administration's plan to control the budget.

The budget made public Saturday, calls for changes in the laws under which millions of Americans are entitled to U.S. Government benefits if they meet eligibility criteria. The changes would reduce the cost of social programs by \$12.8 billion from amounts otherwise anticipated.

But the overall cost of the entitlement programs, according to the Office of Management and Budget, would still rise to a record of \$184.4 billion in the 1983 fiscal year. That would be a 9.9-percent increase from the 1981 total.

The cost of Medicare or health insurance for the elderly, would continue to increase despite cutbacks sought by the administration. But spending on three other programs — food stamps, Medicaid and Medicare, the latter of which provides medical assistance for the poor — would be reduced in 1983.

The budget seeks no major reductions in the politically sensitive school lunch program, although

Agriculture Department officials had told Congress they planned to propose reductions.

But Mr. Reagan proposed to end the school feeding program, which provides meals to children during the vacation period, and to eliminate the special milk program, which provides milk at reduced prices to 1.6 million children. The administration said the summer program had been "ridiculed with fraud."

One proposal for savings in food stamps, Medicaid and the rural assistance program, Aid to Families with Dependent Children, would establish a "zero tolerance" level for erroneous payments; starting in 1986, the states would be subject to financial penalties for overpayments or payments made in error.

The administration's priorities were reflected in the budgets of the departments: planned spending on Health and Human Services was to increase 8.4 percent; Housing and Urban Development, down 10.3 percent; Labor, down 17.4 percent; Defense, up 18.1 percent.

School Lunches Survive

The 1983 budget proposes "no major changes" in the biggest benefit program, Social Security, for which cutbacks of \$173.5 billion are expected in 1983.

The budget seeks no major reductions in the politically sensitive school lunch program, although

federal outlays of \$5.4 billion for welfare payments in 1983, compared with \$7.8 billion in 1982. States would be required to have work programs for welfare recipients. Applicants would have to show that they had diligently searched for work.

• Medicaid. The budget calls for Medicaid outlays of \$17.7 billion in 1983, which is about \$1 billion below the anticipated level for 1982.

• Medicare. The budget projects outlays of \$55.4 billion in 1983, compared with \$49.9 billion in 1982.

• Housing. In place of a program for construction of public housing, vouchers would become the principal means of assistance. Low-income families could use these to obtain housing on the open market.

The administration proposed a sharp reduction in funds for employment and training programs, from \$2.2 billion in 1983 from \$4.3 billion in 1982.

Congress would be asked to abolish the Legal Services Corp., which pays for legal aid in civil cases. The budget would gradually end operating subsidies for mass transit.

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OR MORE
ANSWER

Deng Still Dominates China Scene Despite A Monthlong Absence

By Michael Parks
New York Times Service

PEKING — Deng Xiaoping, who at 77 still dominates China's politics, has not appeared in public for almost a month, and rumors are rife about the state of his health.

By all reliable accounts, Mr. Deng's health is good but the situation has again underscored the fragility of China's political situation.

Mr. Deng, the powerful deputy chairman of China's Communist Party, "is in very good health," a

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Foreign Ministry spokesman said. He added that Mr. Deng had spent last month's Chinese Lunar New Year holiday away from Peking.

Although Mr. Deng had a mild case of influenza and rested for a few days, he has recovered and is now on an "inspection trip" in the provinces, according to usually well-informed Chinese sources.

[Deputy Premier Wan Li said Saturday that Mr. Deng has withdrawn from daily decision-making but remains in excellent health. Reuters reported, "Because he is aged 77, we are greatly concerned about him and only seek suggestions from him on major issues." Mr. Wan said, "He has withdrawn from the first line and is now in the second line [of decision-making]." He added, "Mr. Deng had spent three weeks resting in southern China after his last public appearance on Jan. 12.]

Other sources said they believed that Mr. Deng is involved in the delicate task of getting veteran officials to resign as the government bureaucracy is reduced, and that he is reviewing the lists of those to be reassigned or retired.

Further speculation compares Mr. Deng's unusual absence with the prolonged political sojourns that Mao used to take — and from which he would return to vanquish his opponents. Something must be going on, these analysts believe.

Other rumors have had Mr. Deng dying under house arrest, the victim of a stroke or taking a winter vacation in the southern part of China.

Even if Mr. Deng is as healthy as the Foreign Ministry says, and even though his position has grown stronger since he made a second comeback from political oblivion and took over the leadership nearly four years ago, the questions about his whereabouts and health are valid: Everything here still depends on him.

There is no certain answer to the

questions of "after Deng, who?"

Mr. Deng does not dominate China's political scene nearly as much or in the same way as did Mao, but he remains the decisive factor.

Most Chinese political observers see the collective leadership as more of a vehicle for Mr. Deng to keep his coalition of once-competing factions together, rather than a power-sharing arrangement.

Mr. Deng's success in consolidating his power and in changing China's political and economic course is due largely to the coalition's stability, according to political insiders here. He has brought diverse groups — veterans of the revolution like himself, younger technocrats, army generals, intellectuals, industrial managers, provincial leaders, even some former political rivals — into an alliance based on a consensus on what direction China should take.

When the consensus appears threatened or weakened — as has happened during some debates over economic policy, Mao's mistakes and top-level appointments — Mr. Deng forges new compromises, accommodating his critics on some points to keep the coalition together. Divisive factionalism remains as great a danger for China, Mr. Deng reportedly believes, as a reversal of radicalism.

Although this involves endless compromises that could warp many of the reforms instituted since 1978, Mr. Deng's ability to manage successfully such a "dynamic political environment," as a Western analyst termed it, encourages those who hope China is finally beyond the years of internal turmoil and is on a smooth and forward-looking course.

But this does not answer the questions of how long the coalition would stay together if Mr. Deng were not here to lead it, how long before factional feuding would destroy the country's prized stability and unity.

The Communist Party Congress planned for late this year will be aimed largely at settling the succession question.

"As Deng sees it, the question of succession is not simply a matter of men, but of institutions and policies as well," a social scientist from Shanghai explained. "That is why we are also drawing up new constitutions for the party and the state. The party congress will, in effect, be shaping the future of China."

For this reason, China is fascinated with the arrangements that Tito made in the decade before his death in 1980 for succession in Yugoslavia.

There is no certain answer to the



A U.S. adviser helps during the delivery of one of the new helicopters sent to El Salvador.

U.S. Replaces Destroyed Helicopters for El Salvador

The Associated Press

SAN SALVADOR — U.S. transport planes have arrived with more replacements for the aircraft crippled in a guerrilla attack against the main air base of the armed forces.

A military source said three more Huey-1 helicopters were delivered Saturday to the Ilopango Air Base, seven miles from the capital. Three Hueys had arrived about 24 hours earlier aboard C-130 cargo planes.

Army sources said that more than a dozen aircraft, including

six Hueys, were destroyed in the guerrilla raid on the base Jan. 27. Official reports on the extent of the damage have not been made public.

There are unconfirmed reports that at least two members of the Salvadoran Air Force have been detained on the suspicion that they aided the guerrillas in the attack.

Defense Minister José Guillermo García has said there was "participation both inside and outside the air force in this extremist sabotage."

Army sources said that more than a dozen aircraft, including

at least nine members of the air force were suspected of having collaborated with guerrillas. According to the reports, seven of the suspects disappeared and two are being interrogated by army intelligence officials.

Meanwhile, a military source in the provincial capital of Usulutan, 50 miles (80 kilometers) east of San Salvador, said there was scattered fighting around the city Saturday. The source said there were no reports of casualties.

Such a declaration would have accelerated Poland's obligations to pay much of the \$26 billion it owes to Western governments and to 460 Western banks. The governments hold \$10.5 billion in direct loans issued to Poland or guarantees for private bank loans.

The official, who made his disclosure Friday, had to be identified as a "senior administration official" under the ground rules of the briefing.

The Agricultural Department had notified 10 banks a week ago that the government would pay the \$71.3 billion in interest and principal payments due this month on U.S. government food-buying loans. The announcement underscored a division within the administration.

Defense Secretary Caspar W. Weinberger has pressed for a declaration of default against Poland, while Secretary of State Alexander M. Haig Jr. has defended the administration's decision to honor the loan guarantees.

Other foreign analysts believe the trade pact signed in the last two weeks had nothing to do with martial law but was part of Peking's continuing effort to expand economic relations with all East European countries.

Chinese officials who normally

are very critical of Soviet diplomatic adventures have studied tacitly to join Western nations in blaming Moscow for the crackdown in Poland. Privately, Chinese officials say they are unclear how much responsibility Moscow bears for the imposition of martial law.

Three weeks after ordering eco-

nomic reprisals against Warsaw, Mr. Reagan sent Assistant Secretary of State John H. Holdridge to Peking, in part to enlist Chinese cooperation in the sanctions drive, according to diplomats.

Mr. Holdridge, who was to ex-

plain Mr. Reagan's controversial

plan to sell military aircraft to Taiwan, discussed the issue with Chinese officials but failed to in-

spire much interest, the diplomats said.

Some East European diplomats

view China's handling of the Pol-

ish matter as evidence of a general

move to soften its confrontation

with the Soviet Union, supported

by Peking's secret proposal to do-

uble trade with Moscow this year

and increase cultural exchanges.

Other diplomats called this

wistful thinking by Soviet allies

trying to undermine Chinese

American relations. A well-in-

formed diplomat from a no-

aligned nation confirmed that Pe-

king has proposed broadening

trade with the Soviet Union, but

he cautioned that this is designed

more for public relations than stra-

tegic considerations.

Washington May Have to Pay Banks Nearly \$2 Billion for Polish Debts

By Phil Galley
New York Times Service

WASHINGTON — A high-level Treasury Department official has indicated that the federal government might have to pay U.S. banks nearly \$2 billion owed to them by Poland over the next three years because of federal loan guarantees agreements.

The government's potential liability for bad debts in 1982 is thought to be between \$500 million and \$700 million, the official said. His acknowledgement of the federal loan guarantees for subsequent years was the first public mention by a federal official that U.S. liability for Polish loans might eventually go that high.

The liability projection was made during a briefing called to defend the Reagan administration's recent decision to pay domestic banks \$71.3 million that Poland had not repaid on schedule in order to prevent a declaration that Poland had defaulted.

Direct Loans

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Chinese officials who met with

Western diplomats recently con-

tinue to stress China's neutrality

on the Polish crackdown and downplayed the trade agreement as a "routine thing," said a foreign analyst.

1981 Payments

Marc Leland, assistant secretary of the Treasury for international affairs, said Friday that "default always remains an option" but that President Reagan had determined "maximum pressure can be put on Poland by insisting on repayment rather than declaring default now."

The U.S. government, through the Commodity Credit Corp., guaranteed loans made by U.S. banks for the sale of agricultural commodities to Poland," Mr. Leland said. "In 1981, when the Poles did not pay the banks the amount due on these loans, the U.S. government fulfilled its obligation by making payments to the banks. We are, of course, doing the same in 1982. These payments in no way relieve Poland of any of its obligations."

Last year the U.S. government paid banks \$340 million to cover Polish debt payments that fell due.

Polish Intentions

Mr. Leland said that it would be wrong to view the administration's course of action as a bailout of U.S. banks. He said that about 90 banks in the United States had a total of \$3.2 billion in outstanding loans to Poland. Of that amount, he added, \$1.3 billion is in loans not guaranteed by the government and \$1.9 billion is guaranteed.

He refused to speculate on how much of the \$1.9 billion the government might have to assume, saying only that the Polish government has told the administration that it will make every effort to repay the loans.

The Treasury official who con-

ducted Friday's briefing provided the administration's answers to questions about the Polish debt issue. They went like this:

Q. Did payments to the banks prevent them from declaring Poland in default?

A. "No. Unguaranteed private bank credit unrelated to short-term trade transactions has not been going to the Soviet Union. This is because of the debt situation of Poland and other countries in Eastern Europe, as well as the other economic and financial difficulties faced by the Soviet Union itself."

A. "No. This is an obligation incurred by Poland and not guaranteed by the Soviet Union."

Q. Would a Polish default affect loans going to the Soviet Union?

A. "No. Unguaranteed private bank credit unrelated to short-term trade transactions has not been going to the Soviet Union. This is because of the debt situation of Poland and other countries in Eastern Europe, as well as the other economic and financial difficulties faced by the Soviet Union itself."

China Moves to Boost Polish Trade by 30%

By Michael Wcislo
Washington Post Service

PEKING — China has agreed to boost trade with Poland by about 30 percent this year, apparently ignoring President Reagan's appeal for economic sanctions against the Polish government for imposing martial law.

Some diplomats view the trade protocol and Peking's refusal to condemn the Polish government as tacit Chinese approval for the crackdown in Poland. Privately, Chinese officials say they are unclear how much responsibility Moscow bears for the imposition of martial law.

The picture of a Communist government being overthrown by workers obviously disturbs a lot of Chinese leaders," said a Western diplomat.

Other foreign analysts believe the trade pact signed in the last two weeks had nothing to do with martial law but was part of Peking's continuing effort to expand economic relations with all East European countries.

Chinese officials who met with

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tinue to stress China's neutrality

on the Polish crackdown and downplayed the trade agreement as a "routine thing," said a foreign analyst.

"There was no intent to snub

Reagan," insisted a European diplo-

mata. "Peking ... is serious about

maintaining an independent and noncommittal posture on Poland."

China agreed under the \$140-million trade pact to provide food, consumer goods and textiles to the Poles, according to an East Euro-

pean envoy, who said exchanges

would rise between 25 percent and 30

percent during 1982.

The new agreement, however,

falls far short of replenishing the

strategic considerations.

WORLD NEWS BRIEFS

Bonn Pledges Support to Mubarak

The Associated Press

BONN — West Germany on Sunday pledged full economic and political support for Egyptian President Hosni Mubarak, who arrived in Bonn on the last leg of a weeklong swing through European capitals after visiting Washington.

President Karl Carstens told Mr. Mubarak after his arrival that his region so close to us. We are prepared to support you in this policy to the best of our ability."

Mr. Mubarak came to Bonn from London, where he told an airport news conference that Europeans could promote Middle East peace through understanding rather than pressuring those involved in the conflict. Asked if he hoped that the Europeans would pressure Washington and Israel into including the Palestine Liberation Organization in talks on Palestinian autonomy, Mr. Mubarak replied, "I am not talking at all about pressure, [just] understanding."

SDP Units Oppose Schmidt Policy

The Associated Press

BONN — Just two days after Chancellor Helmut Schmidt won a parliamentary vote of confidence on his policies, three local branches of his Social Democratic Party Sunday turned against his military policy.

Delegates to a Social Democrat meeting in Essen, representing a 70,

Bitter Collapse of Talks Widens Split Between Trudeau and Premiers

By Stanley Meisler
Los Angeles Times Service

TORONTO — Relations between Prime Minister Pierre Elliott Trudeau and the premiers of Canada's 10 provinces have reached a new low with the collapse of their economic conference last week amid bitter recriminations.

Even in the most heated moments of the political struggle with the provinces last year over his constitutional reform proposals, Mr. Trudeau had the support of the premiers of two provinces — Ontario, which contains one-third of Canada's population, and New Brunswick. But when the economic conference ended Thursday night in Ottawa, all 10 premiers denounced the federal government for its handling of the economy. And Mr. Trudeau, in the nationally televised closing session, was as scathing in his denunciation of what he sees as the provinces' attack on his government.

As a result, questions are being raised about the wisdom of trying to tackle so many national issues by convening federal-provincial conferences, which have developed into an institution because of the wide powers possessed by the provinces under the Canadian federation.

James Gillies, a professor who was an economic adviser to Conservative Joe Clark when he was prime minister of Canada in 1979 and 1980, argued on national television last week that the conferences are by nature too divisive to deal successfully with national economic issues.

Little Expected

In the case of last week's conference, few officials had expected much, if any, success. Federal officials, in fact, had wanted to postpone the session. Nevertheless, observers were surprised at the depth of the bitterness that came with the failure.

"While the house is burning and the people are trying to save their own skins," Premier René Lévesque of Quebec said in describing the Canadian recession,

Arms Buildup Emphasizes Rapid Deployment Force

(Continued from Page 1)

tion will ask Congress for military appropriations totaling \$257.5 billion for the next fiscal year, an increase of \$43.4 billion over the budget authority for the current fiscal year.

In presenting the budget Saturday, Deputy Defense Secretary Frank C. Carlucci said, "It is fair to say we will find a challenge" to the military budget on Capitol Hill. But he added that the request was "fully justified when weighed against the military threat."

He also said that the administration considered this a "reform budget," with savings of billions of dollars resulting from new management techniques such as multi-year contracting.

The gap of more than \$40 billion between appropriations or budget authority, of \$257.5 billion and actual expenditures or outlays, of \$216 billion is the largest in peacetime. It was exceeded only in the initial years of the Korean War and the Vietnam War. Its effect is to build up a wave of spending commitments in future years.

Officials in the Reagan administration have made clear that they intend to get as much money for the military as possible while support for these expenditures is high in Congress and in the public. Once Congress obligates the funds and the Pentagon signs the contracts, the financial penalties for cancellation are steep.

Stress on Readiness

This is of great significance to Pentagon planners who are worried that economic pressures might cause the administration to cut back military spending in future years, and that the only convenient place to reduce spending will be in what is called readiness — the capability of U.S. forces to fight now. Readiness includes such accounts as operations and maintenance, training, spare parts and ammunition.

The sizeable increase in military spending proposed by Jimmy Carter last year at the end of his presidency went almost entirely to increasing the readiness of existing forces. There was only a marginal increase in funds for new ships, aircraft, tanks and other weapons. By contrast, the Reagan administration's first military budget both adds to the capabilities of existing forces and heavily emphasizes expanding forces.

The new Reagan budget proposes increasing procurement of new weapons from \$41.2 billion this year to \$55.1 billion next year. It is by far the largest proposed increase in outlays, compared to other accounts.

More AWACS Planes

The budget calls for increasing spending on strategic nuclear forces from \$16.2 billion to \$23.1 billion. The big ticket items here are the new B-1B long-range bomber, a new submarine-launched ballistic missile called the Trident-2, the new Cruise missiles, defense against a bomber attack on the United States, a vast expansion of communications and control systems such as radars and radio links, and the new MX land-based ballistic missile.

In the budget document, President Reagan maintained that a review of U.S. strategic forces "found that the relative imbalance with the Soviet Union will be at its worst in the mid-1980s and hence needs to be addressed quickly."



Treasury Secretary Donald T. Regan explains the sources of income for the 1983 budget.

Reagan Urges Congress to 'Stay the Course'

(Continued from Page 1)

umn, the lawmakers gave the president just half of \$8 billion of further cuts he sought. Evidently mindful of that, Mr. Reagan laced his message with exhortation.

Under the heading "No Time to Retreat," he declared: "Our task is to persevere, to stay the course; to shun retreat; to weather the temporary dislocations and pressures that must inevitably accompany the restoration of national economic, fiscal and military health."

Distinguishing his administration from its predecessors, Democratic and Republican, Mr. Reagan cited budget and tax cuts last year and concluded, "For the first time in two decades, the destructive pattern of runaway spending, rising tax rates and expanding budgetary commitments has been slowed, and with the cooperation of Congress this year, will finally be broken."

In an unusually long budget message, Mr. Reagan repeatedly cautioned against trying to cure the recession by spending more or having the Federal Reserve make credit easy.

Early Release

Under the customary White House embargo, the 1983 budget was to have been released for publication and broadcast at noon Monday. Copies were distributed to Congress and the press Friday, under the embargo. After members of Congress gave large portions of the budget to reporters on Friday without restriction, the White House Saturday morning authorized complete publication immediately.

The budget is essentially the president's plan for running the government in the approaching year and later, subject to the consent of Congress. The 1983 budget was Mr. Reagan's first opportunity since taking office in January last year for a complete review of all government agencies and programs and so represents his most comprehensive statement of priorities thus far.

The highlights of the 1983 budget are:

- Spending to rise 4.5 percent to \$75.6 billion from \$72.3 billion fiscal 1982, which began last Oct. 1.
- Receipts to total \$66.1 billion, including \$12.7 billion from selective tax increases on business and tougher tax enforcement, including a proposal to impose a 5-percent withholding tax on dividends and interest.

Mr. Reagan's opposition to any modification of the income tax cuts regarded by some economists as inconsistent with the administration's forecast of steadily declining interest rates, a forecast that was confounded by events in 1981.

More sober than a year ago, the budget offered this qualification: "But the widely anticipated decline in interest rates will not proceed as rapidly nor as predictably as many hope. The attitude of inflationary pessimism that has dominated economic behavior in recent years will not be dissolved quickly."

As was true a year ago, there was some question whether the slow growth of money advised by the administration was sufficient

to finance the forecast growth of the economy at more than 4 percent a year after allowing for inflation. The budget did not disclose the assumptions about the money supply made by the economists who prepared the forecast.

The spending and revenue outcome when fiscal 1983 ends 20 months from now on Sept. 30 also turns on the economy's performing at least as well as the president's advisers forecast.

Repeal of Tax Credits

Inevitably, Mr. Reagan acknowledged, Congress will make some changes. Among the proposals that seem to have the least probability of adoption are the repeal of energy tax credits for business, imposition of user fees for aviation and recreational boating, deep cuts in subsidies for Amtrak passenger service, a huge expansion of federal leasing of offshore oil and gas lands, imposition of fees on low-income Medicaid patients and the sale of "surplus" federal property.

Among the proposed fee increases was a doubling of the passport charge to \$30, effective April 1.

Asserting that budget deficits "must be addressed squarely," the president devoted three and a half pages of his 21-page message to this subject. But he did not refer to the widely held view that the 1981 tax cut was an important contributing factor.

Rather, he asserted that the emergence of deficits far larger than he had anticipated on taking office was no fault of his. It was due, he said, to recession, the accumulated national debt and "our rapid and decisive success in bringing down inflation," which has had the side effect of cutting into federal revenues.

Qualification on Rates

Mr. Reagan did not refer directly to suggestions of some Democrats and Republicans that the deficit could be reduced by stretching out the 1983 income tax cut, but the burden of his argument was to oppose such a change.

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U.S. Discloses Use of an Informer To Trap Soviet Military Attaché

By Edward T. Pound
New York Times Service

WASHINGTON — The arrest of a senior Soviet military attaché more than a week ago came after the FBI arranged for an informer to pass to him what the Russian was led to believe was a "sensitive" document, according to a high-ranking government official.

The official said that FBI agents were on hand when the informer gave the document to the diplomat in a shopping center in a Washington suburb. The attaché, Maj. Gen. Vasily I. Chitov, was detained by bureau agents and later declared persona non grata and ex-patriated.

Although Mr. Chitov's arrest and expulsion became known Thursday, it was not until Friday that it was disclosed that the FBI used an informer to trap the Soviet diplomat.

The Soviets thought he was working for them, and he was not, the U.S. official said.

Concern Over Retaliation

The meeting was arranged, the official said, after the informer told the bureau that he had been approached by the Soviet Union. According to the official, the bureau was not sure who would pick up the material and was surprised when the Russian turned out to be someone of the high rank of Gen. Chitov.

On Thursday, government officials expressed regret that word of Gen. Chitov's expulsion had become known. Officials were concerned that the Russians would retaliate against a member of the U.S. Embassy in Moscow.

The identity of the person working with bureau agents was not made public. He was described as only someone who had access to classified information and who had cooperated with the bureau in a "controlled operation."

Leaping at the Bat!

The nature of the document handed to Gen. Chitov was not disclosed, but the official said the Soviet Union thought the material was sensitive or classified. The official described the incident involving Gen. Chitov as a case of the Russians "leaping at the bat."

The official said it was fair to assume that the government did not want to hand over highly sensitive material and run the risk of allowing the Russians to pull off a "major coup" in the event that Gen. Chitov escaped.

The military attaché was not charged with espionage. He and his wife, Liilya, left the United States Wednesday for Moscow, according to the State Department. A department spokesman said Thursday that the general had been expelled "for activities inconsistent with his diplomatic status."

Mr. Chitov was listed as the So-

viet Embassy's highest-ranking military officer. State Department records show that he headed the embassy's military attaché office, which represents the Soviet Army. The incident was similar to one in 1978, when three Soviet citizens were caught picking up classified documents relating to the Navy's highly sensitive underwater warfare projects.

According to the government official who supplied information, initial reports that Gen. Chitov was arrested after a high-speed chase were exaggerated. The official said that no other arrests were anticipated.

Congressmen in Both Parties See Fight Over Reagan Plan

(Continued from Page 1)

Congress of 100 percent of what he's requested," which the senator considered unrealistic. He therefore expects the deficit to climb above the budget forecast.

Sen. Robert Dole of Kansas, chairman of the Finance Committee, said, "The Republicans I've talked with are frightened about the deficit." He called Mr. Reagan's proposal "a credible budget" but one that needed "a lot of work."

Democrats emphasized what they considered the callous character of the administration. Sen. Gary Hart of Colorado said, "The administration understands that its mandate is about to run out, and the radicals in the administration are pressing for all they can get."

Rep. Robert H. Michel of Illinois, the Republican minority leader, said: "Most of the members feel that they went along with a precipitous increase in defense spending last year, and that you can't have that two years in a row."

But although fear of large budget deficits has led to a general bipartisan conviction that the military budget should be cut, Rep. Les Aspin, a Wisconsin Democrat, has warned that substantial cuts in the fiscal 1983 budget could come only from those areas in which the military was weakest — personnel, operations and maintenance, and research and development.

"We don't have enough military personnel, we don't have enough spare parts, practice rounds or flying time for pilots," Rep. Aspin said.

BOUTIQUE GIORGIO ARMANI

FEMMES HOMMES

PRINTEMPS - ETE 82

31 rue du Four Paris 6ème



WHEN YOU MAKE THE FOLKS BACK HOME WANT TO BE IN YOUR SHOES, SAVE SOME DUTCH GULDERS ON THE CALL.

Who wouldn't want to be in your shoes? Especially when those feet will be taking you to the famous cheese markets, flower auctions, gorgeous canals, windmills, and a Van Gogh or two. So share it all with your family and friends back home. But before you make that call, here are some guilder-saving tips.

SAVE ON SURCHARGES

Many hotels outside the U.S. charge exorbitant surcharge fees on international calls. And sometimes the fees are greater than the cost of the call itself. But if your hotel has TELEPLAN, the way to keep hotel surcharges reasonable, go ahead and pay. No Teleplan? Read on!

There are other ways to save money.

SAVE WITH A SHORTIE

In most countries there's no three-minute minimum on self-dialed calls. So if your hotel offers International Dialing from your room, place a short call home and have them call you back. The surcharge on short calls is low. And you pay for the callback from the States with dollars, not local currency, when you get your next home or office phone bill.

SAVE THESE OTHER WAYS

Telephone Company credit card and collect calls may be placed in many countries. And where they are, the hotel surcharges on such calls are usually low. Or, you can avoid

surcharges altogether by calling from the post office or from other telephone centers.

SAVE NIGHTS & WEEKENDS

Always check to see whether the country you're in has lower rates at night and on weekends. Usually the savings are considerable.

Now that you've learned to walk on wood, you've saved a little shoe leather. And now that you've learned the calling tips, you'll find it easy to foot the phone bill.

Bell System

Reach out and touch someone

Israel Declares UN Condemnation Over Annexation as 'Null and Void'

By William Claiborne
Washington Post Service

JERUSALEM — Israel's Cabinet declared the UN General Assembly resolution recommending sanctions against Israel for its annexation of the Golan Heights "null and void" Sunday and charged that the world body had become a "tool wielded by hostile states to spread their enmity and hypocrisy."

The rejection, written by Prime Minister Menachem Begin and endorsed unanimously by the Cabinet, said that the vote Friday was a result of the "automatic anti-Israel vote" in the General Assembly, but said that Israel would persist in seeking peace with its Arab neighbors.

Referring to Arab rejectionist states and the Soviet Union, the Israeli statement declared: "Not the representatives of countries which for more than 30 years have refused to make peace or even to negotiate it will be the ones to determine that Israel is not a peace-loving country. Nor is it a superpower which invaded Afghanistan and which moved the Polish government to establish a regime of repression and the liquidation of the most fundamental human rights going to preach to anybody about expansionist designs."

The Cabinet communiqué added: "The automatic anti-Israel majority in the UN General Assembly has demonstrated once again

53 S. Korean Soldiers Killed in Plane Crash

United Press International
SEOUL — A South Korean military transport plane crashed in high winds on an island off the southern coast, killing 53 soldiers on a training mission, the Defense Ministry reported.

A ministry spokesman said Saturday the C-123 troop transport crashed Friday afternoon on Cheju, South Korea's largest island, 55 miles (88 kilometers) south of the mainland, in the one of the nation's worst air disasters.

that this international body is an instrument not for the establishment or the maintenance of peace, but, on the contrary, is a tool wielded by hostile states to spread their enmity and hypocrisy, undermining the peace and security of nations."

Despite its rhetorical sharpness, the official Israeli reaction appeared to reflect a studied attempt by the Begin government not to exacerbate the controversy over the Golan Heights annexation, and to put the UN measure behind it with one concise con-

Christina Onassis Accused of Greek Tax Law Violations

Washington Post Service

ATHENS — As part of a new campaign to end tax evasion, the Greek government has accused shipping heiress Christina Onassis of failing to submit a tax statement on the inheritance of her father's Greek-based assets, and has indicated that she may owe about \$45 million in back taxes.

The charges were made in a Finance Ministry announcement Saturday. Miss Onassis was reportedly contesting the state's demands on the ground that she inherited companies based in Greece but owned by Panamanian concerns after her father, shipping tycoon Aristotle Onassis, died in 1975.

Miss Onassis' inheritance was known to include Olympic Airways, the national airline company that was sold to the state shortly after Onassis' death. She also inherited the Piraeus-based Springfield Shipping Co.

The case against Miss Onassis is the most spectacular since the

Finance Ministry launched a drive in January to curb widespread tax evasion. The practice is believed to have cost the government about \$2.5 billion in 1981 — almost equal to the balance of payments deficit for that year.

The text also urges all United Nations members to stop supplying Israel with arms, money, goods and services and break off all diplomatic and cultural relations.

A Foreign Ministry official said: "This decision was not operative, after all. It hardly is a recommendation. It was reactive but limited, since its operative stage was vetoed in the Security Council."

He added that the 1974 General Assembly resolution that equated Zionism with racism drew a stronger Israeli reaction because a larger majority had passed it, and because "that was a blatant assertion of anti-Semitic propaganda."

Even in a coincidental meeting Sunday with UN Undersecretary Brian Urquhart, who is in the region visiting UN peacekeeping units, Mr. Shamir kept discussion of the resolution to a minimum and dwelled instead on southern Lebanon and a buildup of Palestine Liberation Organization forces there, official sources said.

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Without Laker, Fares May Go Up

But Airlines See No Bonanza From Competitor's Demise

By Agis Salpuskas
New York Times Service

NEW YORK — The demise of Laker Airways is likely to make it easier for other carriers to raise fares and fill more of their seats on the hotly competitive North Atlantic routes, airline executives and analysts have predicted. "They said this would help such hard-pressed airlines as Pan American World Airways and British Airways, but not enough to improve their fortunes dramatically."

The business that other carriers might pick up from Laker, which was forced into receivership last week under the management of the accounting firm of Ernst and Whitney, is not large enough to have a broad effect, the executives said.

The major effect, most predict-

ed, would be that the carriers agreed at conferences of the International Air Transport Association, a forum in which most international airlines meet to agree on fares and conditions of air service.

[A unit of Royal Bank of Canada said Sunday that it was exploring the possibility of reviving Laker with fresh funds. United Press International reported from London. But one of Laker's receivers said he doubted the airline could be salvaged in its present form.]

Rod Muddle, the British Airways manager in the United States, said in an interview Friday that the carrier did not plan to add any flights to pick up Laker business.

Laker carried 600,000 passengers from New York, Los Angeles and Miami to Britain last year, or about 25 percent of the total on those routes, but this group of passengers "can easily be redistributed in the capacity already in the marketplace," Mr. Muddle said.

For the effect on the total North Atlantic market, where the carriers had a combined loss of over \$630 million last year, he said, "It will help, but it's a relative drop in the ocean."

Laker stayed out of IATA and was a major force in ending the group's ability to set fares for the North Atlantic. IATA members issued a joint statement Saturday in Luanda that rejected U.S. pressure for the withdrawal of Cuban troops. The statement, contained in an Angolan news agency report that was monitored in Lisbon, said any decision on the Cuban troops was at once a sovereign and a bilateral matter.

The statement said Havana will "follow without hesitation any decision" made by the Angolan government on the presence of the Cuban expeditionary forces. Western intelligence services estimate the number of Cubans in Angola at between 15,000 to 20,000 troops.

Once Namibia becomes independent and South African troops withdraw, "which will considerably diminish the dangers of aggression against Angola," Havana and Luanda "will analyze relinquishing the program of withdrawal of Cuban forces," the agency quoted from the statement.

A program for the gradual withdrawal of Cuban forces, announced in April, 1976, was abandoned because of repeated attacks from South Africa, the statement said. Cuban forces first arrived in Angola in 1975, during the country's war for independence.

Pope to Visit Spain in Fall

The Associated Press
VATICAN CITY — Pope John Paul II will visit Spain in mid-October for the 400th anniversary of the death of St. Teresa, the Vatican said Saturday.

Louis Marx, 85, Dies; Co-Founded U.S. Toy Company

The Associated Press

WHITE PLAINS, N.Y. — Louis Marx, 85, who turned a two-man toy business into a multimillion-dollar empire, died Friday.

Christopher Chataway, vice chairman of Orion Royal, said Marx began the toy company with his brother, David, during World War I, when imports from Germany, then the major U.S. supplier, were stopped. The company was sold in 1972 to the Quaker Oats Co. for \$52 million and has since become part of Duncor-Marx Ltd.

Mr. Marx was a longtime friend of Eisenhower.

Col. Edgar Harland Keltner

FORT WORTH, Texas (UPI) — Army Col. Edgar Harland Keltner, 88, believed to have been the oldest survivor of the Batuan death march, died Thursday in Arlington.

Col. Adrian Williamson Sr.

MONTICELLO, Ark. (AP) — Army Air Corps Col. Adrian Williamson Sr., 89, who formally accepted the Japanese surrender in Hong Kong at the end of World War II, died Friday.

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No More North-South

The World Bank no longer considers India to be the premier example of massive poverty, and the Indian government's reaction is a classic example of mixed emotions. The bank's reappraisal is justified recognition of India's progress in recent years. But it is recognition of the more expensive sort, since it means that the World Bank is going to cut back India's share of the subsidized loans. A.W. Clausen, the new president of the bank, visited there recently to deliver the message that India is now capable of paying commercial rates for credit.

The World Bank — whose shareholders are governments and whose mission is development — is moving through a fundamental change in its view of the world. Until now, the bank has addressed its work essentially in terms of the disparity between the world's rich industrial North and the impoverished South. Mr. Clausen holds that the North-South distinction has ceased to be useful. Instead, he describes a world in which many kinds and degrees of economic power have emerged, each with its own responsibilities. He speaks of Asia's rising standards of living, its great gains in food production and its wealth of trained manpower. The most severe concentration of poverty now — and the only part of the world where a large number of countries have actually suffered declining incomes — is in Africa south of the Sahara. There, the bank urges a doubling of aid.

Mr. Clausen foresees a decade in which trade expands much more rapidly than the world's output, he said last month in a speech to a Japanese audience. It means that the newly industrializing economies will supply an increasing share of manufactured

goods that the industrial countries of North America and Western Europe use. Those countries are going to have to make their living in high technology. Both labor and capital are going to be much more mobile, according to this perspective, with millions more people migrating across national boundaries to find jobs. A rising proportion of the credit to support this growth, he believes, will come from private lenders.

The bank's essential job, as Mr. Clausen sees it, is to be a catalyst for this flow of private capital for development. He recently said, in a line doubtless aimed at the Reagan administration, that the World Bank "is not in the business of redistributing wealth from one set of countries to another set of countries. It is not the Robin Hood of the international financial set."

That is a reasonable position, as long as everybody keeps a couple of qualifications in mind. The flow of private bank loans to developing countries has been heavily concentrated on a short list of nations — beginning with Brazil, Mexico and Venezuela — that have strong credit. Further, there is a good deal of anxiety about the scale of the commercial banks' loans to the Third World. Private lending is not likely to keep expanding at the past decade's rate.

Mr. Clausen is trying to warn the borrowers that the traditional kinds of aid are going to be in short supply as long as the economies of the rich countries remain under strain. Simultaneously, he wants to reassure the leaders that their money is being stretched to the limit. That is what led to his expensive compliment to India.

THE WASHINGTON POST.

More for El Salvador?

What is one to make of the new alarms — and commitments — concerning El Salvador? To justify much more military and economic aid, and even vague threats of direct U.S. action, President Reagan has just certified the unlikely: That the junta is becoming more respectful of human rights and therefore showing promise of popular appeal. And Secretary of State Haig suggests the unproven: that outnumbered guerrillas are beating a U.S.-equipped army mainly because of Soviet and Cuban arms.

As a practical matter, Congress may have little choice but to give more help to a floundering, repressive regime. Pulling the plug would forfeit what chance remains for a settlement among democrats on both sides of the barricades. But if Congress feels compelled to go along one more time, it need not swallow the story. And it can underscore its conditions.

One point seems beyond dispute. The battle is going against President Duarte's right-center coalition. The U.S. Ambassador to El Salvador, Dean Hinton, reported a marked upswing in insurgent strength three weeks ago. His judgment was sustained recently when guerrillas destroyed at least 15 government aircraft — half the air force.

Mr. Hinton estimates total guerrilla strength at 4,500 to 6,000. That they can frustrate a much better equipped army of 18,000 surely reflects sadly on the U.S. premise that the Duarte regime can gain favor with the population of 4.7 million without broadening

its political base toward the left. Small wonder that some of the U.S. soldiers advising that army doubt its prospects and ache to multiply its firepower. Small wonder that Mr. Haig is tempted to look for more remote villains. Has the flow of Soviet arms, through Cuba and Nicaragua, significantly increased?

Secretary Haig believes so. Recent history suggests that it would be naive to dismiss his fears out of hand — or to accept them on faith. So far, the evidence hardly matches the new anxiety about the Soviet factor. No Cuban "advisers" or sizable caches of Soviet weapons have been seen by Western correspondents in El Salvador. Nor does the State Department add much weight when its obviously pained spokesman says: "I don't have anything specific for you at the moment other than to indicate that the statements represent a clear consensus by those accumulating and assessing data."

The problem with swatting at the Russians to justify a deeper U.S. involvement is that it too nearly diverts attention from the social rot in Salvador. Crying havoc about Cuban arms diverts the argument over the political failures of the Duarte regime, and particularly its most brutal agents in the security forces.

The junta has not earned yet another blank check. Congress should insist on a timetable for measuring progress toward agreed political objectives and prepare itself to monitor the results.

THE NEW YORK TIMES.

Europe's Unemployment

Unemployment in Britain now exceeds 3 million people, pushing the rate up to a staggering 12.7 percent of the labor force. On top of its own longstanding troubles, Britain is also caught in the wider recession in full force throughout the industrial world.

Europe provides a sort of testing laboratory for different national policies. The British case well known in the United States. The economy has a long record of low growth and wages run about two-thirds the U.S. level or less, just as they did a generation ago. The rise in productivity has been slow, and inflation has been rapid.

So it follows that the Thatcher government's drastic anti-inflation policy, imposed on a weak economy, has sent unemployment soaring — or at least some say this is what happened. But is it?

Perhaps so, but look across the Channel to Belgium. There you will find an economy of extraordinary wealth and efficiency. Inflation has been low, and the rise in productivity has been rapid. And yet here again unemployment is extremely high — higher even than in Britain. Why should two such different economies produce the highest unemployment in northern Europe?

The answer seems to lie in the ways in which their labor markets adjust, or fail to adjust, to changing circumstances. A low unemployment rate is usually the sign of a flexible labor market. People can shift from one

industry to another without undue hardship and, equally important, wages can move down as well as up. When a country runs into economic trouble and national income drops, sometimes the loss can be spread over a lot of people of whom each takes a small reduction in earnings. But when wages are held up rigidly — by law, labor contracts or political tradition — the drop in income has to result in unemployment.

Nobody likes taking wage cuts, and they certainly are not a cure for a recession. But once a recession arrives, there is an important choice between lower wages and fewer jobs. Very different in most other respects, Britain and Belgium both have extremely sticky labor markets, even by Europe's sticky standards. In Britain, it has a lot to do with the unions in the huge nationalized industries and their conviction that wages are a wholly political matter. In Belgium, wages are indexed by law to the inflation rate — although the new government is moving hastily to change the formula.

These European examples deserve careful attention. In some high-wage industries in the United States, working people have accepted some erosion in earnings. Where they have refused, the threat of layoffs has risen. That is why it is a pity that negotiations between General Motors and the United Auto Workers have broken down.

THE WASHINGTON POST.

Feb. 8: From Our Pages of 75 and 50 Years Ago

1907: The Kaiser's Foe

PARIS — Today's editorial in the Herald reads: "Now that the Kaiser has got his majority in the Reichstag the question arises: What will he do with it? Does his victory portend peace or war? It may as well be admitted that the European public is inclined to be pessimistic and to regard war as the most probable hypothesis. But the consensus of opinion is that France is not the objective point of any warlike designs that the Kaiser may have. If any power is menaced by the Kaiser's forward policy, it is England, and not France. Wherever England and Germany meet in any part of the world, they meet as rivals, and their interests are irreconcilable."

1932: Food Blockade

BERLIN — A food blockade "to drive the Bolsheviks" out of Germany is Hitler's plan if and when he gets control of national affairs, according to circulars found in a raid on homes of prominent Nazis. Police, acting under President von Hindenburg's decree for fighting political terrorism, raided homes in Baden and found circulars urging farmers to retain their crops, so that the Hitler government "can satisfy the food wants of the nation when it comes into power," it was announced. "The Jews, Germany's worst enemies," one letter is quoted, "would attempt to buy crops in order to increase prices and drive Germany into the arms of Bolshevism."



'Business Was Never Better.'

Nightmarish Dreamland of Civil Defense

By Andrew Tolan

NEW YORK — U.S. civil-defense officials, inspired by a reaffirmed presidential directive that authorizes a new and expanded civil-defense policy, are reviving dangerous and illusory assumptions about life after nuclear war.

Officials at the Federal Emergency Management Agency, which is responsible for civil defense, argue that U.S. society would survive a nuclear war in which tens of millions of people died. Yet the agency's own plans clearly demonstrate the deficit in its

"Crisis relocation planning" is the current watchword of civil-defense planners. The Plattsburgh instructions address this problem: "If you are in a hospital (or any institution) you will be evacuated. Patients who cannot be removed because of special requirements will be sheltered and cared for in case of imminent attack." How?

The plans call for the "survivability" of 80 percent of the U.S. population. Thus, the agency's 204 nuclear civil-protection planners will be "successful" if only 44 million U.S. citizens die in a nuclear war.

Crisis relocation presupposes a predictable buildup of international tensions, followed by swift, orderly evacuations of "risk areas." But crisis relocation would merely create new locations for the crisis.

Re-Targeting

In a list of "10 Illusions of Civil Defense," two physicians, H. Jack Geiger and Eric Chivian, note that even if major evacuations of the 380 risk areas were successful — an unlikely prospect, given the usual choking of roads and highways during daily rush-hour traffic — the Soviet Union could simply re-

target its missiles. Mass evacuations would take at least three days. The Russians can re-target missiles in a fraction of that time.

Many of the 380 "custom-made plans" are completed. In Plattsburgh, N.Y., for example, residents are instructed to "Prepare now.... Check to see if you live in the Risk Area.... Check your route assignment and route map.... Check your home for security. See that all locks are secure. Close all window shades, blinds and drapes." These instructions are for people physically able to evacuate.

What about those unable to move themselves, like people in hospitals? The Plattsburgh instructions address this problem: "If you are in a hospital (or any institution) you will be evacuated. Patients who cannot be removed because of special requirements will be sheltered and cared for in case of imminent attack." How?

The agency's secondary plan — placing us in fallout shelters — is what officials there call the "in-place option for saving lives." But fallout shelters are not blast shelters. Within five miles of a nuclear strike, as Dr. Geiger points out, fallout shelters heat to 80 degrees Centigrade (1,472 degrees Fahrenheit) and "become crematoria, in which people are simultaneously dry-roasted and asphyxiated."

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Crisis relocation presupposes a predictable buildup of international tensions, followed by

AMC Chief Vexed by Image as Renault's Man

By James Risen

New York Times Service
SOUTHFIELD, Mich. — José J. Dedeuerwaerder, who was named president of American Motors last month, is trying to overcome two obstacles as he fashions a strategy to help his company out of an industrywide slump.

The first, which the Belgian-born auto executive freely acknowledges, is his lack of experience in marketing American cars. It is a problem, he believes, but one his American colleagues can help him solve.

The second, however, is more vexing: his image as Renault's man at AMC. Widely regarded as mild mannered, he bristles when asked — yet again — where his loyalties lie, then finally positions himself in the AMC camp. But whatever he says, the facts are clear: Renault owns 46.4 percent of AMC and Mr. Dedeuerwaerder comes from Renault.

Mr. Dedeuerwaerder, 49, spent 23 years with Renault, mainly in manufacturing, before being named AMC's executive vice president for manufacturing in September, 1981. His promotion to the presidency last month was interpreted by analysts as a sign that the French government-owned Renault was finally asserting its power at AMC, the smallest of America's four car makers.

His Own Man

"There is no question he was placed there by Renault," Arvid Jourppi, an analyst with the Colm Hochstet Co. in Detroit, said.

Mr. Dedeuerwaerder insists, however, that he is his own man. "The management for AMC is in Detroit not in Paris," he said. "I don't have any contract with Renault."



The management for AMC is in Detroit, not in Paris,' Mr. Dedeuerwaerder says. 'I don't have any contract with Renault.'

Mr. Dedeuerwaerder is a manufacturing executive trying to learn auto marketing in a country where the French have never been much of an auto marketing force.

But while Mr. Jourppi agrees that marketing is a problem for Mr. Dedeuerwaerder, whom he calls AMC's "Mr. Manufacturing," the analyst does not believe AMC will suffer.

"Renault put their own guy to see that the manufacturing of the cars was done right," Mr. Jourppi said, "and decided to let the Americans sell them."

He added, "I would say there is not a major decision made at AMC without Renault's approval." People at AMC expected Mr.

Dedeuerwaerder to be "solely Renault's man," he said, but "inside of three weeks, he had won over the AMC people."

"The uniform opinion is that this guy is very good for the company," said one AMC executive, who asked that his name not be used.

Mr. Dedeuerwaerder's background made him a logical choice to represent Renault at AMC. From 1976 until last year when he moved to AMC, he was director of stamping and assembly at Renault's modern assembly plant in Douai, France.

He was responsible for the French introduction last fall of Renault's R-9 compact, which will be

seen as the manufacturing of the cars was done right," Mr. Jourppi said, "and decided to let the Americans sell them."

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Tax Status of Zero Bonds Is in Doubt

By William Ellington

AP-Dow Jones

LONDON — One of the reasons zero-coupon Eurobonds are popular is that the tax treatment for the investor is supposed to be favorable.

These bonds are sold at large discounts from par value. As no interest is paid, it has been assumed in some quarters that the difference between the purchase price and the higher redemption price will be treated as a capital gain, subject to favorable tax treatment or no taxes at all.

"The widely held theory that zero coupon bonds are bought principally to reduce individual tax liabilities is probably very accurate," says Ian Kerr, who heads Kidder Peabody International's Eurobond advisory service.

In a report on zero-coupon bonds, Phillips & Drew, the London brokerage firm, noted that these issues are likely to be "attractive to investors who pay a higher rate of tax on income than on capital gains and who are not taxed on notional interest payments" on the zero coupon bond."

However, a survey of bankers, brokers, tax specialists and government officials in Europe and Japan is far from reassuring about whether zero-coupon issues really do offer significant tax advantages. No formal rulings in various jurisdictions have been made so far. Yet, it appears that when rulings are made, the outcome may be less than pleasing to investors.

In Belgium, a Finance Ministry official said that his country does not tax capital gains or allow deductions for capital losses. However, he said that the difference between the purchase price of a zero-coupon bond and the redemption price would be considered as an "emission premium," subject to Belgium's 20-percent withholding tax known as the "precompute mobilier." This tax would be payable on purchase of the security, he said.

While the Finance Ministry in West Germany has not ruled on requests of bankers for clarification of the tax status of zero-coupon bonds, some bankers are doubtful that the outcome will be favorable. "We are assuming these bonds will be taxed and won't be treated like nontaxable capital gains," an economist at a large West German bank said.

He noted that non-interest bearing federal notes and savings certificates sold by banks are subject to income tax. He contended that there is no reason for zero-coupon Eurobonds to be treated differently.

Bankers in Switzerland say that local tax authorities have advised them that a ruling will not be made on zero-coupon issues until one matures.

This leaves Swiss investors with prolonged uncertainty, as the shortest issue floated so far this year is three years.

While capital gains are not taxed in Holland, the Finance Ministry has advised banks that zero-coupon bond issues will be taxed when the issues are sold or when they are redeemed. Dutch bankers say, however, that the legislative authority for this may not exist.

In France, several bankers said they assume that zero-coupon issues will be taxed though no concrete proposals have emerged from the authorities.

In Britain, a spokeswoman for the Inland Revenue Service said that the tax treatment of zero-coupon bond issue is under study and it would be some time before a decision is made.

In Japan, where the bulk of the zero-coupon bonds have been sold, the Finance Ministry is studying the implications of large Japanese purchases of these instruments. The ministry has asked brokers to refrain from making claims that the bonds are tax free. Nevertheless, Japan does not have a capital gains tax and there is no move toward imposing one, bankers said.

built this year in AMC's Wisconsin assembly plant for introduction in September under the name of Alliance. AMC is now completely retooling that plant for R-9 production and plans to pattern its manufacturing procedures after those used by Renault in Douai.

Despite his heavy manufacturing background, Mr. Dedeuerwaerder said he was not at AMC simply to oversee the American introduction of the R-9. He also stressed that American Motors "is not going to become a manufacturing arm of Renault."

But clearly the ties between AMC and Renault are getting stronger. Since October, 1979, Renault has provided AMC with \$350 million, which has enabled AMC to continue a \$1 billion, five-year product development program that includes a new small-sized four-wheel-drive Jeep to be introduced early in 1983. And AMC, which lost \$175 million in 1980 and is expected to post a loss of more than \$100 million for 1981, plans to distribute its four-wheel-drive Jeeps in France through Renault's dealer network.

AMC, which had been unable to keep pace with larger competitors that had invested heavily in new technology, needed the Renault infusion. But Renault benefits as well. It wanted to market its cars in the United States without having to invest in its own dealer network and was able to take advantage of the AMC marketing base and dealer network.

Mr. Dedeuerwaerder said that he wants the company to concentrate on its specialty, the four-wheel-drive market, which had suffered during the 1979 energy crisis, when consumers stayed away from big cars.

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It is a cliffhanger, which we are trying to resolve quickly among ourselves," explained an OECD ambassador. He said the final choice, which requires unanimous approval by the 24 member nations, may be made this week.

"It is like a jury deliberating on a verdict — out of the public eye and quite unlike the noisier, highly visible voting procedure for electing the UN secretary-general."

Senior diplomats and officials from the OECD area said that intense discussions are still going on over the candidates' differing academic credentials, professional experience and how they might fare in running the 24-nation agency, encompassing North America, Europe and Japan.

This week, markets will have to contend with Monday's announcement of the fiscal 1983 U.S. budget, which will produce a deficit of

EUROBONDS

either \$91.5 billion or a staggering \$157 billion, depending on whether you believe President Reagan or the Congressional Budget Office.

Superficially, the Treasury sale went well enough. But by Friday the investment banks that bought the paper were still holding most of it. If retail demand does not pick up this week, professionals fear there will be havoc on Wall Street as banks start dropping prices to get rid of the paper.

Most attention was focused on the Federal Reserve's money supply report. A decline, it was reasoned, would fuel expectations that the Fed could ease its grip on credit conditions and let interest rates slip a bit.

The Fed did report a decline of \$1.4 billion — the lower end of forecasts which called for a drop of as much as \$6 billion. But that was after a number of revisions on the basic data. Calculated on the previous basis, the money supply would have registered a drop of \$3.2 billion, the Fed stated.

However, this did not trigger any hoopla in late New York bond trading. Dealers gloomily noted that the aggregate was still \$5.6 billion above target, a factor which they expect will continue to weigh on the Fed's willingness to supply credit.

The Fed also reported that the December meeting of its policymaking Open Market Committee lowered the M-1 growth target to 4-to-5 percent for the November-4-to-5 period.

(Continued on Page 9, Col. 2)

CURRENCY RATES

Interbank exchange rates for Feb. 5, 1982, excluding bank service charges.									
S	A	D.M.	F.F.	I.L.	G.H.	S.E.	U.S.	U.K.	Y.D.
Amsterdam	5.254	4.782	107.65*	1.0759*	0.7099*	13.542	4.023*	13.675*	23.21*
Australia (n)	3.249	3.245	77.025	39.37	1.67*	11.71*	5.881*	19.435*	30.87*
London (n)	2.345	4.372	—	—	—	—	—	—	—
Paris	1.2895	4.374	11.088	2.8812	4.784	74.49	3.879*	14.785	12.28*
Milan	1.2513	2.3719	58.618	28.02	0.6023	10.205	4.023*	11.205	11.205
New York	5.35	11.204	1.06	0.9798	0.7099*	13.542	4.023*	13.675*	23.21*
Zurich	1.2835	3.39	80.25*	7.15*	0.1984	73.235*	4.7135*	—	24.81*
ECU	1.2644	0.9812	2.4455	1.39934	2.6645	4.784	1.581	2.6985	—

(Source: 1,200 Irish £.) (a) Commercial firms. (b) Amounts needed to buy one pound. (*) Units of 100. (+) Units of 1,000.

S	Currency	Per	S	Currency	Per	S	Currency	Per
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	Singapore \$	2.0995
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	S. African Rand	0.9773
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	S. Korean Won	718.65
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	Swiss franc	1.2877
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	Swiss franc	2.77
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	U.S. dollar	2.77
1.2877	Australian \$	0.7454	1.2877	Swiss franc	0.6732	1.2877	U.S. dollar	2.77
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Emile van Lennep has indicated he is willing to stay on as head of the OECD if member nations cannot agree on his successor.

Woman in Contention For Top OECD Post

By Axel Krause

International Herald Tribune

PARIS — A woman is among the three leading candidates to be the next secretary-general of the Organization for Economic Cooperation and Development — one of the West's most important economic policymaking agencies.

After several months of behind-the-scenes consultations, the list of candidates has been narrowed to three West Europeans, including Helga Steeg, a senior West German trade official.

Mr. van Lennep, a Dutchman, who had originally agreed to relinquish the post April 1, has indicated that he is agreeable, but emphasizes that he is by no means seeking an extension and that he has been offered several jobs already.

Here are the backgrounds of the three.

• Miss Steeg, assistant secretary for foreign economic relations in Germany's Economics Ministry and a key aide to Minister Otto G. Lambsdorff. Miss Steeg, 54, was trained in law, but has spent virtually her entire career in the ministry, specializing in trade, development and international monetary issues. She is regarded as a skillful negotiator.

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• "It is like a jury deliberating on a verdict — out of the public eye and quite unlike the noisier, highly visible voting procedure for electing the UN secretary-general."

Senior diplomats and officials from the OECD area said that intense discussions are still going on over the candidates' differing academic credentials, professional experience and how they might fare in running the 24-nation agency, encompassing North America, Europe and Japan.

U.S. Firms See Profit in Foreign Tax Law

By Thomas B. Edsall
Washington Post Service

WASHINGTON — Multinational corporations, particularly construction firms doing business in the Middle East, are preparing to capitalize on a provision of the 1981 tax bill that significantly lessens the tax burden on their foreign-based employees.

This year, according to James H. Larkin, 2nd, president of the Houston-based Overseas American Tax Service, will be "the best year since the early 60s for a U.S. citizen working overseas... The Economic Recovery Act passed by Congress and signed into law by President Reagan offers the best tax break in more than two decades to help the expatriate."

It is, however, by no means clear that the benefits of the tax break will flow to overseas employees. Major companies are in the process of trying to decide how to adjust pay in light of the tax change. One likely option will be to initiate "equalization" programs so that workers suddenly pulling ahead of colleagues at home and in other countries because of tax changes will receive reduced compensation.

In other words, the tax break would flow to the companies, not the workers, except in the case of self-employed persons and those working overseas for foreign-based firms.

A Taxmover said:

The new law represents a major victory for those who have argued that the U.S. tax system has functioned to hurt the United States' ability to compete in international markets. The major lobby for the tax change was the National Constructors Association, which coordinated the creation of an ad hoc group called the U.S. and Overseas Employees Tax Fairness Committee.

The provision in the 1981 bill represented a near-complete turnaround from the reform mood of the mid-1970s that produced legislation designed to make U.S. citizens working abroad pay rates of taxation equal to that of persons living here.

In this light, the legislation will serve in part, as a test of whether the recent sharp decline in U.S. contracting in the Middle East results from tax policy — the claim

made by the U.S. firms — or from the improved competitive abilities of firms from North Korea, Japan and Western Europe.

One of the major arguments used by such firms as Bechtel Power Co. and Brown & Root has been that the cost of giving employees additional compensation to make up for increased tax liabilities has been a key factor in the decline of construction awards to U.S. companies in Saudi Arabia from 9 percent of the work in 1975 to 6 percent in 1978 and 3 percent in 1979.

In contrast to the policies of other countries competing for this market, the United States is the only nation that taxes foreign-source income.

While not completely eliminating U.S. tax liabilities, the 1981 bill gave expatriate workers the right to take a flat \$75,000 exemption from U.S. taxes on foreign income. In addition, it established a housing cost exclusion on all expense in excess of \$6,350. The income exclusion will grow by \$500 a year until it reaches \$95,000 in 1986.

Little Difference

The major beneficiaries will be companies, and perhaps their workers, in the Middle East, where there is little or no income tax on foreigners and consequently the exclusion will function to shield income from U.S. taxation.

It will make relatively little difference in countries that impose a high rate of taxation on U.S. citizens working there because the foreign tax can be used as a credit against U.S. tax liabilities and, in many cases, it would be against the interests of the taxpayer to elect to use the \$75,000 exclusion.

"The new law will benefit Americans living in the Middle East, a few countries in Africa, and certain countries in the Far East and the Pacific Basin," according to Arthur Andersen & Co., an accounting firm that does extensive work for multinational firms.

"However, individuals who reside in foreign countries whose effective tax rates are higher than the U.S. rate, such as Germany, Norway and Sweden, for example, will receive no benefit."

The cost of the provision, however, will be considerable. The Joint Committee on Taxa-

tion estimates that in the current fiscal year, revenue losses will be \$299 million, growing to \$544 million in 1983 and to \$696 million by 1986.

Melchior Morione, a partner in Andersen and a specialist on taxation of expatriate income, said most multinational companies are moving towards what he described as a policy of "equalization" for employees.

Under this approach, the company attempts to make sure that there is some standardization of real net income for equivalent employees, no matter what the various tax situations are in various countries.

Under the new law, this would mean, in most cases, that employees now able to benefit from the \$75,000 exclusion in low-tax countries would face a loss of compensation, while those in countries with higher tax rates than the U.S. would continue to get extra pay.

Using Dubai, a no-tax country, as an example, a sample calculation shows the impact on a hypothetical executive making \$100,000 a year and with three dependents.

Under the old law, the executive could take deductions of \$41,800 and \$4,000 in exemptions for himself and three dependents, for a taxable income of \$34,200 and a U.S. tax of \$16,626. Under the new law, the same executive can get a \$75,000 exclusion, a \$14,000 housing exclusion and \$4,000 for personal exemptions for a net taxable income of just \$7,000, on which the tax would be \$462.

Use of the exclusion is a choice to be made by the taxpayer, and using West Germany as an example, the firm showed that the exclusion would be disadvantageous in such a high tax country.

The same \$100,000-a-year executive using the exclusion would be able to reduce his U.S. tax to zero, but he would be able to achieve the same goal using the old law to credit taxes paid to West Germany against his U.S. liability. By choosing to use the old law, however, the executive would also be able to get a \$7,155 foreign tax credit to use against U.S. taxes on future foreign income, while the exclusion would reduce the credit to just \$4,488.

Source: *Joint Committee on Taxa-*

tion

ability with those currently offered by Gaz de France.

The French state utility, which sold \$150 million of 10-year zeros at \$128.20 for a yield of 14.4% percent, returned for another \$150 million — this time for 12 years and offered at \$198.50, representing an annual yield of 14.42 percent.

Logically, GDF's longer maturity should have the higher yield, but the inversion here shows that investors really are focusing on the potential capital gain — 404 percent in the new issue compared with 287 percent in the first issue — rather than the annual yield.

Toray Industries, guaranteed by Mitsubishi Bank, sold \$50 million of five-year bonds at par bearing a coupon of 10.4% percent. Each \$3,000 security comes with one warrant to buy 2,587 Toray shares at a price of \$465 yen each, a premium of 1.57 percent. The exchange rate was fixed at 235.95 yen per dollar.

Bridgestone Tire sold \$70 million of 14% year paper at par bearing a semiannual coupon of 5% percent. The bonds are convertible into shares at a fixed price of 470 yen per share.

In the saturated Canadian dollar sector, Bank of Montreal Royal Inc. (formerly Bankmont Royal) is offering 75 million dollars of non-callable six-year notes at par bearing a coupon of 16% percent.

The paper was quoted on a when-issued basis at 97 1/2.

In the floating-rate sector, Societe Generale is offering \$250 million of 13-year notes. Interest is set at a quarter point over the London interbank rate and is guaranteed to not fall below 5% percent.

Holders have the option of requesting redemption after eight years but have to give notice of their intention to do so in 1985. A "fidelity fee" of 3/4 percent will be paid to investors holding the paper to maturity.

Also from France, Credit National is offering \$200 million of 12-year FRNs sold in denominations of \$10,000. Interest will be set at a quarter point over the mean of the London offered-bid rate (effectively equal to 4% point over Libor) and is guaranteed not to fall below 5% percent. Holders can request redemption after 8 or 10 years.

Credit National announced that it has asked four managers of the loan — Paribas, Salomon Brothers, BNP and Goldman Sachs — to "monitor its short-term liabilities by hedging interest rates in the futures markets."

The private Mexican bank Multibanco Comercier is raising \$40 million through a 10-year FRN retraceable to seven years at the holder's option, interest will be set at a quarter point over Libor and is guaranteed to not fall below 5% percent.

IMI, Italy's state agency for financing economic development, is

offering \$50 million of 10-year floating rate notes.

In the equity-linked market, Honda Motor is offering \$80 million of 15-year bonds bearing a semiannual coupon of 5% percent and convertible into shares at an anticipated premium of 5 percent.

Okumura Corp. of Japan sold \$30 million of 15-year convertibles at par bearing a coupon of 5% percent. The bonds are convertible into the construction company's shares at 454 yen, a premium of 4.37 percent. The exchange rate for the life of the issue was fixed at 235.45 yen per dollar.

Toray Industries, guaranteed by Mitsubishi Bank, sold \$50 million of five-year bonds at par bearing a coupon of 10.4% percent. Each \$3,000 security comes with one warrant to buy 2,587 Toray shares at a price of \$465 yen each, a premium of 1.57 percent. The exchange rate was fixed at 233.95 yen per dollar.

Bridgestone Tire sold \$70 million of 14% year paper at par bearing a semiannual coupon of 5% percent. The bonds are convertible into shares at a fixed price of 470 yen per share.

In the saturated Canadian dollar sector, Bank of Montreal Royal Inc. (formerly Bankmont Royal) is offering 75 million dollars of non-callable six-year notes at par bearing a coupon of 16% percent.

The paper was quoted on a when-issued basis at 97 1/2.

In the floating-rate sector, Societe Generale is offering \$250 million of 13-year notes. Interest is set at a quarter point over the London interbank rate and is guaranteed to not fall below 5% percent.

Also from France, Credit National is offering \$200 million of 12-year FRNs sold in denominations of \$10,000. Interest will be set at a quarter point over the mean of the London offered-bid rate (effectively equal to 4% point over Libor) and is guaranteed not to fall below 5% percent.

Credit National announced that it has asked four managers of the loan — Paribas, Salomon Brothers, BNP and Goldman Sachs — to "monitor its short-term liabilities by hedging interest rates in the futures markets."

The private Mexican bank Multibanco Comercier is raising \$40 million through a 10-year FRN retraceable to seven years at the holder's option, interest will be set at a quarter point over Libor and is guaranteed to not fall below 5% percent.

IMI, Italy's state agency for financing economic development, is

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International Bond Prices—Week of Feb. 4

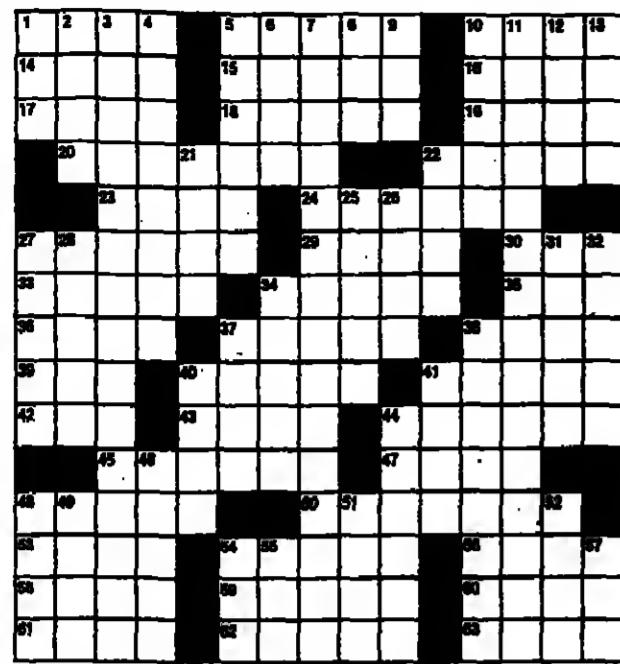
Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

(Continued from Page 8)

Amt. Security	% Mat.	Middle Price	Conv. Pkt.	Curr. Pkt.	Conv. Pkt.	Curr. Pkt.	Conv. Pkt.	Curr. Pkt.
dm 100 Sweden Invest Bank	3/17/48 Mar	93.50	92.00	92.00	92.00	92.00	92.00	92.00
dm 100 Swiss Export Credit	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Swiss Export Credit	12/1/71 Nov	92.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Switzerland	1/2/72 Dec	92.50	92.50	92.50	92.50	92.50	92.50	92.50
dm 100 United Kingdom	1/2/74 '85 Aug	91.25	93.00	93.00	93.00	93.00	93.00	93.00
dm 100 Barclays Corp Inv	1/2/74 '85 Aug	91.25	91.25	91.25	91.25	91.25	91.25	91.25
dm 100 Barrow Col Ltd	1/2/72 Dec	91.75	91.75	91.75	91.75	91.75	91.75	91.75
dm 100 Grand Ceres Finanz	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Great Britain	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 ICI Fin Plc	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Commercial Bank	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Midland Int'l Fin	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Nat West Minster Fin	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 North Westminster Fin	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 South Scotland Elect	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Traction Fin Plc	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 75 United States America	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Bank Of America	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Citibank Nt'l	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Commerzbank	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Dresdner Bank	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Hypo Fin Plc	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 KfW	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 National Bank	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Raiffeisen Bank	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Sal. Fin Plc	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 WestLB	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Westpac Fin Ctr	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50
dm 100 Wtbs Fin Ctr Ctr	1/2/72 Dec	91.50	91.50	91.50	91.50	91.50	91.50	91.50

CONVERTIBLE BONDS

Amt. Security	Middle Conv. Pkt.	Conv. Pkt.	Conv. Yld.						
EUROPE									
Aus Ah	1/2/74 '85 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/74 '85 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/74 '85 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/74 '85 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/74 '85 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/75 '86 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/75 '86 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/75 '86 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/75 '86 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/76 '87 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/76 '87 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/76 '87 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/76 '87 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/77 '88 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/77 '88 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/77 '88 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/77 '88 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/78 '89 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/78 '89 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/78 '89 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/78 '89 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/79 '90 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/79 '90 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/79 '90 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/79 '90 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/80 '91 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/80 '91 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/80 '91 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/80 '91 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/81 '92 Mar	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	6/1/81 '92 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	9/1/81 '92 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	12/1/81 '92 Jun	102.75	102.75	102.75	102.75	102.75	102.75	102.75	102.75
Aus Ah	3/1/82 '93 Mar	10							

CROSSWORD Edited by Eugene T. Maleska

DOWN

- 1 —relief
- 2 Rectangular pier
- 3 Capital city
- 4 Littoral area
- 5 Himalayan cedar
- 6 Building part
- 7 Capital city
- 8 Electrical unit
- 9 Picnic drink
- 10 Stirring
- 11 Capital city
- 12 Delightful spot
- 13 Dutch painter: 1618-80
- 21 Ivy Leaguers
- 22 Punish
- 25 "Dialogues" man
- 26 Like certain trimming
- 27 Bird's-eye
- 28 City in New York
- 31 Do-nothing
- 32 Exclamation of pleasure
- 34 Trash, to lago
- 35 Neighbor of Cambodia
- 38 Wisdom
- 40 Type of bag

ACROSS

- 1 Food fish
- 5 Access Paget
- 10 Biblical brother
- 14 Prefix with date or name
- 15 Acurilate
- 16 "Adam" —, Elliot novel
- 17 Greek portico
- 18 Plant part
- 19 Soviet city
- 20 Gives in
- 22 "— Girl"
- 23 Tropical nut
- 24 Acrobatic feats
- 27 Fabric from Angora goats
- 29 Spirit
- 30 Boutique item
- 31 Sloping way
- 44 Soft shade
- 45 Establish
- 48 Biblical book
- 49 Priestly cloak
- 51 Formerly
- 52 —Chandler, ex-Yankee pitcher
- 54 Gumshoe
- 55 Palindromic feminine name
- 57 Parker's pad
- 33 At — (mystified)
- 34 Come in second at Belmont
- 35 Wedding words
- 36 Trapping trophy
- 37 Robust
- 38 Norman
- 39 Thrash
- 40 "Camille" actress
- 41 Demolished
- 42 Units of measure, in printing
- 43 Bookseller
- 44 Very thin
- 45 Beware
- 47 Eastern V.I.P.
- 48 Very critical
- 50 N.T. books
- 51 Fashion
- 54 Corrupt
- 55 Is off guard
- 56 Contemporary pact
- 57 Bring out
- 58 King of England: 1617-35
- 59 Thrown
- 60 Arab's hagene
- 61 MacDonald's erstwhile partner

WEATHER

	HIGH	LOW		HIGH	LOW	
ALBANY	41	32	Rain	MADRID	24	17
AMSTERDAM	8	4	Overcast	MANILA	24	17
ANKARA	0	32	Fair	MILAN	25	19
ATHENS	11	9	Fair	MONTEBELLO	2	12
BANDUNG	21	15	Foggy	MONTREAL	2	12
BANGKOK	22	15	Cloudy	MOSCOW	2	12
BEIRUT	14	9	Foggy	MUNICH	5	14
BELGRADE	3	37	Foggy	NAIROBI	38	34
BERLIN	7	35	Fair	NEW DELHI	21	18
BOSTON	2	35	Fair	NEW YORK	2	25
BUCHAREST	2	27	Foggy	OSLO	4	25
BUDAPEST	0	22	Foggy	PARIS	9	48
CABO SAN LUIS	11	18	Fair	SINGAPORE	1	31
CAPE TOWN	27	21	Foggy	PRAGUE	5	26
CASABLANCA	26	18	Foggy	SAO PAULO	2	26
CHICAGO	5	23	Foggy	STOCKHOLM	24	25
COPENHAGEN	2	17	Foggy	TIKIAVIK	17	25
DAKAR	12	11	Foggy	RIO DE JANEIRO	25	21
DAMASCUS	6	12	Cloudy	ROME	36	34
DUBLIN	10	8	Cloudy	SALISBURY	23	17
EDINBURGH	8	4	Cloudy	SAO PAULO	23	17
FLORENCE	8	4	Foggy	SINGAPORE	5	26
GURU	5	4	Foggy	SHANGHAI	5	26
GENEVA	9	4	Foggy	SYDNEY	9	23
HELSINKI	12	9	Overcast	TAIPEI	17	25
HONG KONG	18	14	Overcast	TEL AVIV	4	25
HUSTON	1	1	Foggy	THAILAND	1	1
JERUSALEM	7	5	Foggy	TUNIS	15	9
LIMA	21	18	Foggy	VENICE	3	22
LONDON	9	7	Foggy	VIENNA	3	22
LOS ANGELES	21	7	Foggy	ZURICH	9	48

Readings from the previous 24 hours.

How to buy wine without getting ripped off!

One of the many frank and fascinating chapters in Jon Winroth's wine book published by the Herald Tribune

This highly informative book is worth having for this chapter alone! But there's much, much more. Tips, tales and revealing information on wine buying, wine tasting, wine vocabulary and wine snobbery. In fact, it's a wobbly new revelation of the wine world. A book you'll read and refer to for years to come and one that will increase your enjoyment and expertise. A super gift idea as well.

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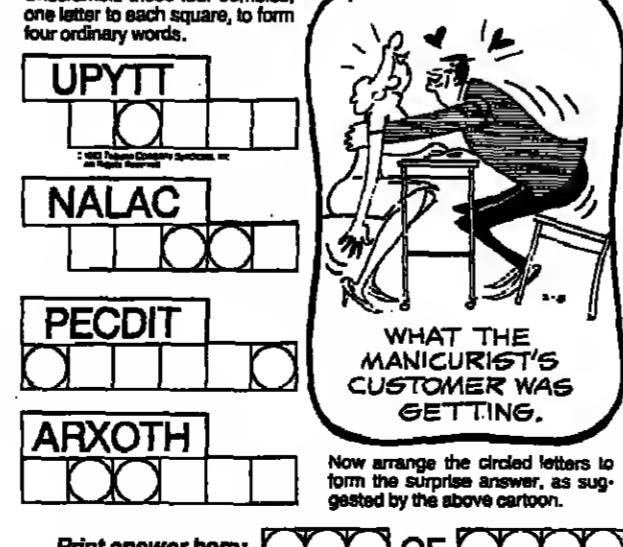
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JUMBLE THAT SCRABLED WORD GAME

by Henri Arnold and Bob Lee



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: OF

(Answers tomorrow)

Saturday's Jumble: JOKER DAISY BEATEN TETHER

Answer: It's a red-making "long speeches"—

"TRIDES."

DENNIS THE MENACE



BOOKS

A MINGLED YARN

The Life Of R. P. Blackmur

By Russell Fraser. (Illustrated.) 357 pp. \$19.95.

Harcourt Brace Jovanovich, 757 Third Ave., New York, N.Y. 10017

Reviewed by Anatole Broyard

THIS is an exasperating book.

When I began it, I was an admirer of R.P. Blackmur, grateful to him for his essays on e.e. cummings, Wallace Stevens, Ezra Pound and Marianne Moore. As the first great literary critic I had read, he spread out the possibilities of poetry before my adolescent eyes and mind.

After finishing Russell Fraser's "A Mingled Yarn," I can only ask whether this could be the same man. Could this silly, pompous, narrow, prissy, deluded fellow be the same person who wrote those wonderful essays? What is the use, I wondered, of such a book? If the man himself was such a disappointment, wouldn't it be better to simply leave his life alone and be satisfied with the work? Is there any compulsion to write a biography?

Fraser seems to love Blackmur's weaknesses, his failures. About his best essays, he has very little to say, yet he goes on interminably about his poems, which were not his strong point, about his plays, short stories and his two novels, which were un-

about its contents or its relation to its author.

Fraser seems to have identified with Blackmur to the point of inventing his own version of his subject's style. Guimone would be a kind word for some of his sentences, which I found myself turning over and over, as you turn over a box of biscuits, trying to find a place for your fingernail, in order to open it. Fraser describes Blackmur as "haunted by the vertigo that had its springs in his inward dark." He begins a sentence with "The conviction of failure engenders equality."

Pioneering Essays

Sometimes Fraser is simply vulgar. When the Chancer scholar Robert K. Root opposed Blackmur's teaching at Princeton, Fraser writes "In the end, poetic justice was vindicated, though, and Root died a scholar's death at the Modern Literature Association convention, falling into the potted palms in the lobby of his hotel!" Calling Blackmur "this inchoate and evanescent man" is not a felicitous choice either. Blackmur was one of our most famous autodidacts. Because of a quarrel with his father — we never even learn what the quarrel was about — Blackmur refused to go to college and ended his education by educating himself. His early short stories were terrible, and so was his taste for James Branch Cabell, W.H. Hudson and Max Bodenheim.

Inexplicably, it seems, the foolish, posturing young Blackmur metamorphosed, almost overnight, into a man who wrote splendid, pioneering essays on everybody. Nothing in the book explains this, or even prepares us for it. Nor does Fraser show us any of the brilliance of the essays, though he shows us everything else.

There are a hundred witty things Blackmur wrote that appear nowhere in "The Mingled Yarn." He said, for example, that "All knowledge was but a fall from the paradise of undifferentiated sensation."

When we love a man's work, we may read about his life in order to discover what it was in him that enabled him to please us so much. To find that his life contradicted his work is almost like being forced to give back the pleasure, to unlearn what he taught.

Anatole Broyard is on the staff of The New York Times.

CHESS

GARI KASPAROV, an 18-year-old grandmaster, and Lev Psachis, a 22-year-old international master, won the 1981 Soviet championship in Frunze, each scoring 12½-4½.

Oleg Romanishin, a 30-year-old grandmaster, took third place in a field dominated by young talented players.

Kasparov, who is shaping up as a marvelous combination player, struck his stuff against Gavrikov. The system he used to confront the Tarrasch Defense permitted the isolated QP to advance with 10...P-Q5! — P-Q5 because he aimed for an infiltration of his pieces into enemy territory beginning with 12...Q5.

After 16...B-N4, it might have been better to maintain a passive but solid position with 16...B-Q2, but watchful waiting did not appeal to Gavrikov. His 16...P-QN4! opened up the board for the active white pieces.

He could have obtained simplification by 19...B-N2; 20...R-B7; 21...Kb8; B-N3; 22...R-B6, yet after 22...Q-Q2; 23...R-B1; 21...K-N1; 24...Q-N3, Kasparov's knight would have been superior to the black bishop blocked by the QP.

Had Gavrikov answered 21...Q5! (threatening 22...R-B7) by 21...B-N2, Kasparov could have kept his positional superiority with 22...Q-KB5! Here 22...BxP? was to be crushed by 23...BxP, K-R1; 24...N-N6! forcing 23...Q-Q2; 24...R-B1; 25...Q-N3; 26...R-B1; 27...QxP (force mate); 28...R-K6; Now 27...K-N2; 28...Q-N3; 29...QxP forces mate.

Gavrikov might have tried 20...Q-Q2, but 28...R-B6; B-R2; 29...Q-B2; B-N2; 30...Q-Q1; R-K4; 31...Q-Q2, but 32...R-B7; 33...QxP and 34...Q-N3.

However, after 30...R-K4, the same combinational theme powerfully emerged from Kasparov's brilliant imagination with 31...N-N6!, PxN; 32...R-R7ch, K-B1; 31...Q-B7mate; Gavrikov had to defend with 28...R-K4.

Position after 30...R-K4

N-Kh1, K-K1; 32...R-B7! either wins the queen or mates.

Since Kasparov's 28...R-B6! produced the threat of 29...N-N6ch, PxN; 30...R-R7ch, K-B1; 31...Q-B7mate, Gavrikov had to defend with 28...R-K4.

Had Gavrikov answered 21...Q5! (threatening 22...R-B7) by 21...B-N2, Kasparov could have kept his positional superiority with 22...Q-KB5!

Language

Courtesan: Loose Use

By William Safire

NEW YORK — A stunning mistake appears on the cover of Harper's February issue. The title of an excerpt from a book about Clare Boothe Luce is "From Courtesan to Courte Woman."

The problem is with the word "courtesan." Simply put, it means "prostitute." Put with a touch of class, it means "prostitute with a wealthy clientele," and put with as much elegance as the word can muster, going back to its derivation from "female courter" — the word means "royal mistress."

That is not what Wilfrid Sheed, who turned out a generally laudatory book had in mind. In "Clare Boothe Luce," Sheed uses the word in passing: "As a bridge-figure between the courtesan and the career girl, Clare has sometimes seemed a funny kind of feminist, and the women's movement finds her a difficult patron saint."

In excusing it, Harper's ignored the distinction that placed Mrs. Luce "between" the two categories.

What did the editor of one of our more literate publications think the word meant? "I had a nightmare last night that I was going to get a call from you on it," said Michael Kinsley, editor of Harper's. "I just heard from Reed Irvine, of Accuracy in Media, demanding to know why I called a member of his board of directors a prostitute. That's not my understanding of the current meaning of the word."

Only One Part

His definition? "I would say that a courtesan is a member of a court whose role is to serve a great or rich man. The sexual connotation is only one part of it." That explanation evidently did not ring too well in his own ear, and he added: "As Reed pointed out, courtesans were not married to the king, and Mrs. Luce was married. She was not in any literal sense a courtesan. I certainly did not mean to insult her, I guess I didn't realize the offensive nuance."

Would he take offense if the word were applied to someone close to him — say, his mother?

"I don't think I'd mind," said

the editor. "It would be highly inappropriate on the cover of Harper's February issue. The title of an excerpt from a book about Clare Boothe Luce is "From Courtesan to Courte Woman."

This illustrates a point in English usage: Words not only mean what you want them to mean, words mean what they mean to most people. That was Lewis Carroll's satiric point, as Humpty Dumpty dismissed Alice's objection to stretching words until they lost their meaning and became sources of confusion.

A courtesan was and is a woman who sells sex to the high and mighty. That was true in 1565, when Bishop John Jewel wrote about "Owen Stewes so dearly rented: so many thousand Courtesans so well regarded." What Bishop Jewel had against (high) attendants I don't know, but the word's spelling and meaning are both apparent in a 1607 citation in the Oxford English Dictionary: "Your whore is for every rascal, but your Curte is for your Courter." And it is true today.

A Walllop

To a woman of her generation," writer Sheed says ruefully, "that word must pack a wallop." It does because the less specifically sexual meaning, evidently in the mind of Kinsey, has not replaced the meaning in the dictionaries and in most people's minds. What does "courtesan" mean to Sheed, in the sense he used it? "A courtesan is one who can get ahead only by using men, as distinct from Mrs. Luce, who is one who knows how and when to use them but doesn't strictly need them."

Fair enough: That's an additional meaning, useful in discussing "mentor" relationships in business today, which will get into tomorrow's dictionaries because a respected author and editor used it. But it is not the primary meaning, and the word should not be used when the primary meaning hurts or defames an individual.

How is Mrs. Luce taking it? "I've had a lot of careers," says the former magazine editor, playwright, war correspondent, congresswoman and ambassador, "but I don't know, at the age of 78, if I want to be provided with one I didn't have." She admires Sheed, and takes the compliment with good humor, but adds: "So I was a courtesan, eh? Just don't let Henry Luce hear about that, wherever he may be."

Would he take offense if the word were applied to someone close to him — say, his mother?

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New York Times Service

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